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MENTAL HEALTH/CHEMICAL DEPENDENCY FUNDING

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A Report Prepared for the

Legislative Finance Committee

by

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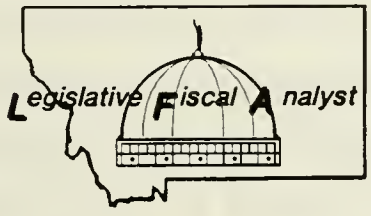
Sandy Whitney

Senior Fiscal Analyst

November 15, 1991



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EXECUTIVE SUMMARY

This report details state and community center expenditures by fund source for mental health and chemical dependency services in Montana. General fund is the major funding source for state-provided services, while private and insurance reimbursements and federal funds provide the majority of the funding for community services. In fiscal 1990, federal medicaid funds provided 9 percent of total funding for state mental health programs and 18 percent of the funding for community mental health. Medicaid provided very little funding for chemical dependency. State alcohol tax revenue provided 40 percent of the funding for the Galen chemical dependency programs and over 10 percent of the funding for community programs.

Analysis of both mental health and chemical dependency historical expenditures indicates that community mental health and chemical dependency programs have grown faster than state-operated services. This growth has been accomplished primarily through increases in federal medicaid, federal grants, and private and insurance reimbursements. General fund expenditures for community mental health services have increased more than at state-operated facilities because medicaid reimbursement has increased more rapidly in community programs. (Medicaid reimbursement is approximately 28 percent general fund.) General fund appropriated directly to the mental health centers decreased from fiscal 1985 to fiscal 1990.

County mental health contributions for community mental health and earmarked alcohol tax funding for Galen and community services have declined since fiscal 1987. Earmarked alcohol tax funding has decreased because: 1) tax revenues have declined; and 2) a greater share of the tax revenue has been appropriated to the Department of Justice, Pine Hills, Montana State Prison, and Swan River.

INTRODUCTION

House Bill 966 created a Committee on the Montana State Hospital and directed that it study the past, current and potential future uses of the Montana State Hospital. As part of that study, the committee asked the Office of the Legislative Fiscal Analyst to analyze the current and historical funding for the state hospital and community services. The analysis was presented to the Committee on the Montana State Hospital on October 21, 1991. Because this report contains information that may be useful during the interim and throughout the next budgeting cycle, it is also being presented to the Legislative Finance Committee.

This report depicts total expenditures by fund source for mental health and chemical dependency services provided by state facilities and local treatment programs which receive public funding through the Department of Corrections and Human Services (DCHS). The report does not include funding for private mental health professionals who are reimbursed by medicaid, or facilities such as Rivendell, Shodair and Yellowstone Treatment Center that receive medicaid reimbursement for providing inpatient psychiatric treatment to children and adolescents.

General fund and alcohol tax expenditures at state facilities have been adjusted to reflect reimbursements by medicaid, medicare, private funds, and insurance. For example, the legislature appropriates general fund to Montana State Hospital (MSH) and the Center for the Aged (CFA), but reimbursements from other sources are made directly to the general fund. These

reimbursements are subtracted from general fund expenditures to determine the net general fund cost. Medicaid reimbursement to community mental health centers are composed of approximately 28 percent general fund and 72 percent federal funds. The general fund medicaid match is added to the general fund appropriated by the legislature to determine the total general fund expenditure for community mental health centers. Only the federal medicaid match is shown as federal funding.

The report is divided into two major segments: 1) mental health; and 2) chemical dependency. Each segment describes fiscal 1990 and historical funding for state and community services. The state data comes primarily from the Statewide Budgeting and Accounting System (SBAS), while community expenditures come from the mental health center audit reports and chemical dependency reports filed with DCHS. Central office administrative costs are prorated by fund between state and community services.

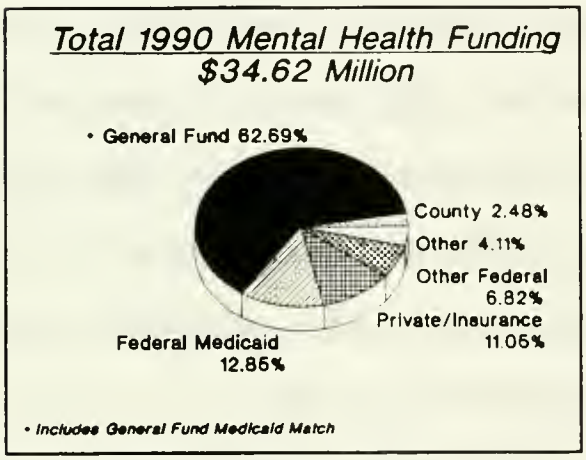
Because the Montana State Hospital provides both chemical dependency and mental health treatment programs, administrative and other indirect costs of the facility have been allocated between the two programs based on the average daily population (ADP) in each program. However, this cost allocation may not represent the actual costs if either program is moved from the facility and becomes a stand-alone treatment program.

MENTAL HEALTH

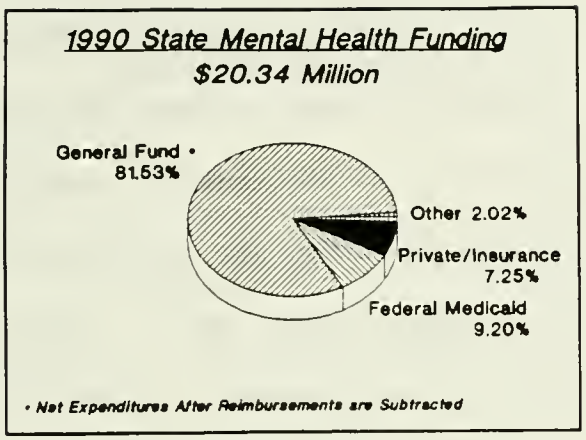
Mental health programs in Montana that receive public funds are: 1) in-patient services at MSH in Warm Springs and Galen and CFA in Lewistown;

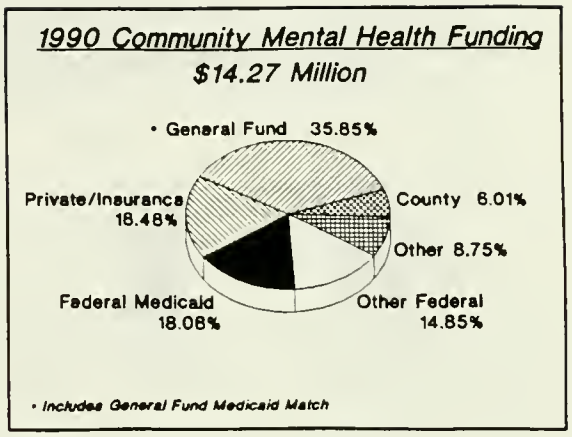
and 2) out-patient community services offered by five private, non-profit regional community health centers headquartered in Miles City, Great Falls, Billings, Helena, and Missoula. Both the state in-patient facilities and regional mental health centers charge for services based on the client's ability to pay but can not deny services if the client can not pay. Medicaid reimbursement is available when client eligibility and service criteria are met.

Fiscal 1990 Funding



The adjacent graph shows that general fund comprised approximately 63 percent of the $34.6 million spent for both in-patient and out-patient services at state facilities and community mental health centers. Federal, county, private and insurance reimbursements, and miscellaneous other funds provide the remainder of the funding.

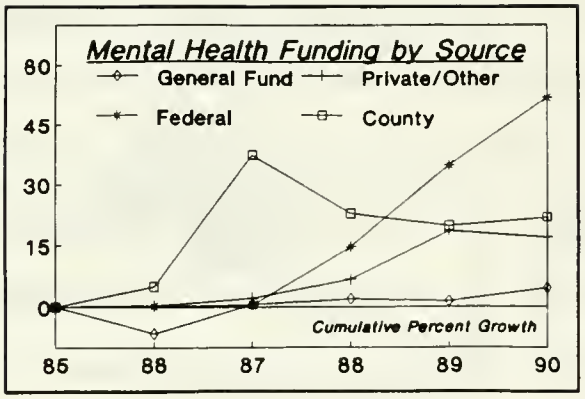




The graphs above show that $20.3 million was spent on state level in-patient services in fiscal 1990 compared to $14.3 million at the community level. General fund provided over 81 percent of the funding at the state level and nearly 36 percent in the communities. Other funds for state in-patient services were: 1) 9 percent federal medicaid; 2) 7 percent private and insurance reimbursements; and 3) 2 percent other federal funds and canteen funds at CFA and MSH. Other funds for community services were: 1) 18 percent federal medicaid; 2) 15 percent other federal funds, primarily Alcohol, Drug Abuse, Mental Health (ADMS) block grant; 3) 16 percent private and insurance reimbursements; 4) 6 percent county funds from local mental health mill levies; and 5) 9 percent other funds from agency contracts, interest, rental income, donations, and other miscellaneous revenue. Some private and insurance reimbursements are for services not controlled by the state.

Historical Trends

The graph below shows the cumulative percent growth of the different funding sources for total mental health expenditures. General fund increased

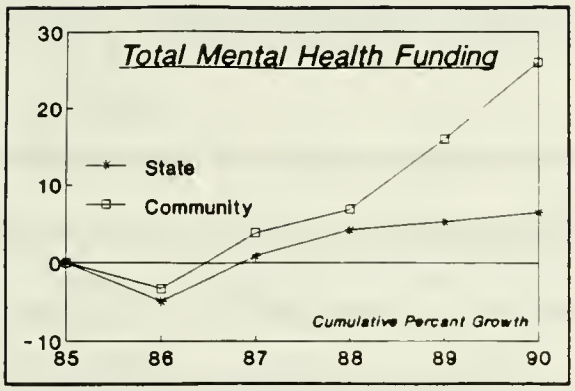


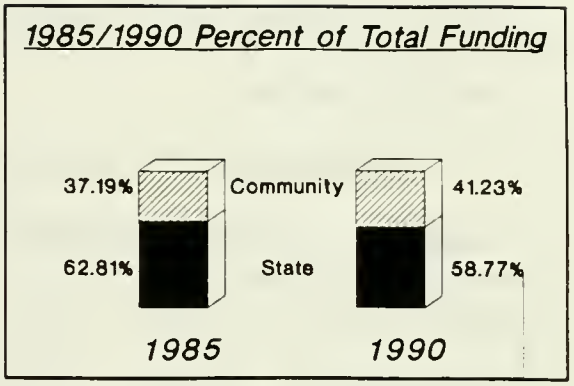
3 percent during the period, while federal funds increased 52 percent. While county funds increased 22 percent during the period, they have decreased since 1987. Private and other funds increased 17 percent.

Table 1 shows that expenditures for mental health services at state facilities and the community mental health centers increased from $30.4 million in fiscal 1985 to $34.6 million in fiscal 1990. While general fund expenditures increased by only $1.0 million during the period, federal medicaid increased $1.7 million. The general fund share of total expenditures declined from 68 percent to 63 percent of the total while federal medicaid reimbursement increased from 9 percent to 13 percent.

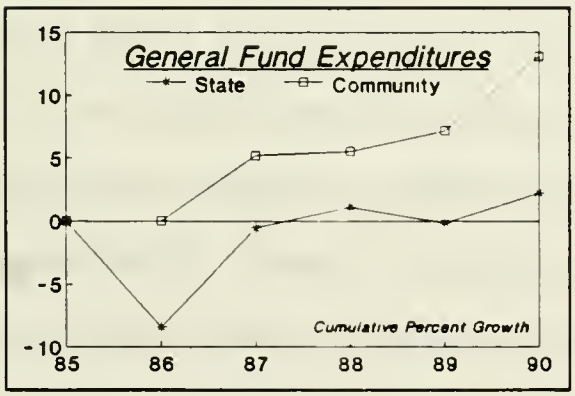
TABLE 1
Total Mental Health Funding

Funding Source	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
Net General Fund	$20,747,547	$19,379,432	$20,893,487	$21,177,797	$21,047,220	$21,703,170
Private & Insurance	3,762,877	3,558,903	3,635,587	3,429,090	3,687,969	3,826,611
Federal Medicaid	2,705,982	2,830,406	3,079,847	3,494,618	3,888,058	4,447,867
Other Federal Funds	1,783,381	1,666,809	1,499,197	1,656,965	2,157,064	2,361,674
County	705,569	741,162	968,163	865,940	844,779	858,368
Other	727,715	950,402	957,140	1,372,828	1,636,448	1,419,719
Total	$30,433,071	$29,127,114	$31,033,421	$31,997,238	$33,261,538	$34,617,409
GF as % of Total	68.17%	66.53%	67.33%	66.19%	63.28%	62.69%
Fed. Medicaid % of Tot.	8.89%	9.72%	9.92%	10.92%	11.69%	12.85%





The left graph above shows the cumulative percentage growth in total funding for state operated in-patient facilities and community mental health centers. Growth was nearly parallel for both state and community services until 1988, at which time expenditures for community services began to increase much more rapidly than expenditures at state operated facilities. During the period expenditures at state facilities increased only 6 percent, while expenditures for community mental health services increased over 26 percent. The right graph above shows the state and community services shares of total mental health expenditures in fiscal years 1985 and 1990. During the period, community services expenditures increased from 37 percent to 41 percent of total expenditures.



The adjacent graph shows that general fund expenditures for state mental health facilities increased approximately 2 percent from fiscal 1985 through fiscal 1990, while general fund for community mental health

centers increased over 13 percent during the period, due solely to increases in medicaid funding.

Funding for state-operated facilities differs significantly from funding for community mental health services. Table 2 shows that general fund comprised more than 80 percent of total expenditures at state facilities from fiscal 1985 through 1990. In fiscal 1990, private reimbursements and insurance provide 7 percent, and federal medicaid, the primary source of federal funds available for state-provided services, accounts for 9 percent of the total. Since fiscal 1987, the general fund share has decreased slightly, while the medicaid share has increased slightly.

TABLE 2
Funding for State Mental Health Facilities

Funding Type	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
General Fund	$16,224,619	$14,856,575	$16,134,931	$16,404,760	$16,199,039	$16,587,144
Private & Insurance	1,023,329	1,441,192	1,239,679	1,491,926	1,803,667	1,475,101
Federal Medicaid	1,544,028	1,578,936	1,576,716	1,741,604	1,786,295	1,870,747
Other Federal	207,354	172,407	190,141	120,671	181,518	241,630
Other	115,352	129,	143,458	150,058	160,322	170,158
Totals	$19,114,682	$18,178	$19,284,925	$19,909,019	$20,130,841	$20,344,780
GF as % of Total	84.88%	81.72%	83.67%	82.40%	80.47%	81.53%
Fed. Medicaid % of Tot.	8.08%	8.69%	8.18%	8.75%	8.87%	9.20%

Table 3 shows that general fund comprised between 35 and 40 percent of community mental health funding from fiscal 1985 through 1990. Private and insurance reimbursements, federal medicaid and block grant funds, and county mill levies provide over half of the total funding. While general fund increased by approximately $0.6 million during the period, federal medicaid

funding increased by $1.4 million, or from 10 percent to 18 percent of total expenditures.

TABLE 3
Community Mental Health Funding

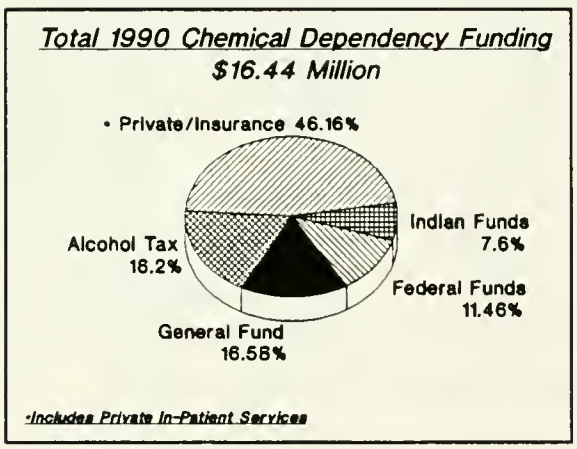
Funding Type	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
General Fund	$4,522,928	$4,522,857	$4,758,556	$4,773,037	$4,848,181	$5,116,026
Private & Insurance	2,739,548	2,117,711	2,395,908	1,937,164	1,884,302	2,351,510
Federal Medicaid	1,161,954	1,251,470	1,503,131	1,753,014	2,101,763	2,577,120
Other Federal	1,576,027	1,494,402	1,309,056	1,536,294	1,975,546	2,120,044
County	705,569	741,162	968,163	865,940	844,779	858,368
Other	612,363	820,611	813,682	1,222,770	1,476,126	1,249,561
Totals	$11,318,389	$10,948,213	$11,748,496	$12,088,219	$13,130,697	$14,272,629
GF as % of Total	39.96%	41.31%	40.50%	39.49%	36.92%	35.85%
Fed. Medicaid % of Tot.	10.27%	11.43%	12.79%	14.50%	16.01%	18.06%

Since general fund appropriations specifically for the mental health centers have remained relatively unchanged during the period, increased expenditures in community centers are due to increases in medicaid, federal block grant, and other funds.

CHEMICAL DEPENDENCY

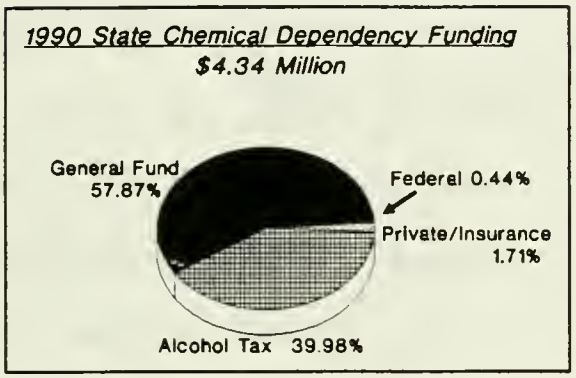
Chemical dependency programs in Montana receiving public funds are: 1) in-patient services at Montana State Hospital (MSH) at Galen; and 2) local programs that receive public funding through the DCHS and provide inpatient/out-patient treatment services. The state also uses alcohol tax to fund chemical dependency treatment at several correctional institutions. Both the state and community programs charge for services based on the client's ability to pay, but can not deny services if the client can not pay. Medicaid reimbursement is available if client eligibility and service criteria are met.

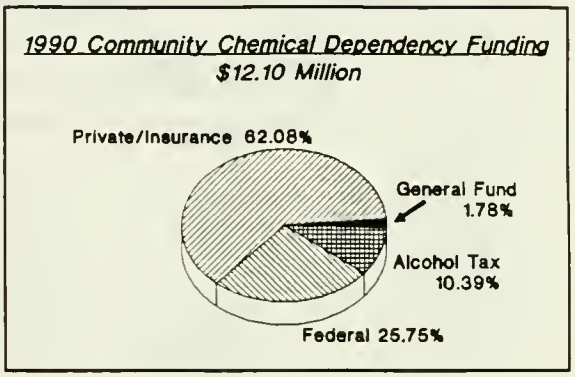
Fiscal 1990 Funding



The adjacent graph shows that private and insurance reimbursements fund nearly half of the $16.4 million spent in in-patient and out-patient chemical dependency expenditures. According to DCHS, approximately 75 to 80 percent of these private reimbursements are payments to community in-patient chemical dependency programs that are not controlled by the state. Federal funds include federal medicaid, federal chemical dependency block grants, and Indian chemical dependency funds paid directly to reservation programs approved by DCHS.

Together, these funds comprised 19 percent of all chemical dependency expenditures in fiscal 1990. State funding is from the earmarked alcohol tax and the general fund. Alcohol tax provided 18 percent of the funding in fiscal 1990, while general fund provided over 16 percent of the $16.4 million spent for both in-patient and out-patient services in state-approved programs.

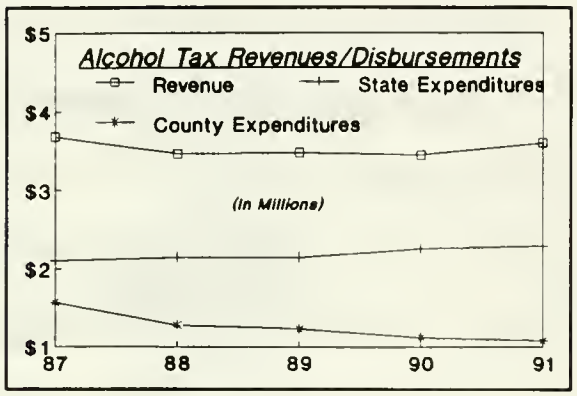




The graphs above show that $4.3 million was spent on state level in-patient services in fiscal 1990, while $12.1 million was spent at the community level. General fund provides almost 58 percent of the funding at the state level and less than 2 percent in the communities. Federal block grants provide over one quarter of the community services funding.

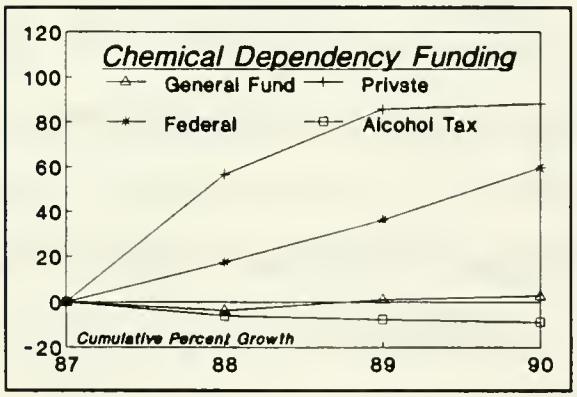
The earmarked alcohol tax provides nearly 40 percent of the chemical dependency funding at Galen and over 10 percent of the community services funding. While most of the alcohol tax is used for chemical dependency services at Galen and in the community, a significant portion is used at Montana State Prison, Swan River, and Pine Hills, and for the drug testing program in the Department of Justice.

Earmarked alcohol tax revenues of $3.4 million to $3.7 million per year since fiscal 1987 are spent either by: 1) direct legislative appropriation to various agencies; or 2) statutory appropriation to the counties for community chemical dependency programs. Revenues collected from the alcohol tax actually decreased from fiscal 1987 to fiscal 1990.



The adjacent graph shows that revenue collections from the alcohol tax decreased during the period, while appropriations to state services increased. Distribution of the alcohol tax to community programs actually decreased. The fund balance in the alcohol earmarked account increased to $836,686 at fiscal year end 1991, but except for funds needed for cash flow, this balance will be spent by the end of the 1993 biennium.

Historical Trends



The adjacent graph shows the growth in different funding sources for chemical dependency treatment. Alcohol tax funding decreased 9 percent during the period, while general fund increased nearly 3 percent since fiscal 1987. Federal funds increased by over 60 percent, while private and insurance reimbursements increased 88 percent during the period.

Table 4 shows that expenditures for chemical dependency treatment services at both the state and community levels increased from $11.9 million in 1987 to $16.4 million in 1990. During the period, general fund expenditures decreased from 22 percent to 16 percent of total expenditures. Other major community services funding sources are private and insurance reimbursements, federal block grant funds, and the alcohol tax.

TABLE 4
State and Community Chemical Dependency Funding

Fund Source	FY 1987	FY 1988	FY 1989	FY 1990
Net General Fund	$ 2,655,652	$ 2,556,063	$ 2,684,237	$2,726,007
Private & Insurance	4,034,091	6,321,506	7,500,342	7,588,492
Federal Medicaid	19,406	14,545	1,495	5,951
Other Federal Funds	1,942,591	2,294,094	2,675,393	3,127,872
Net Alcohol Tax	3,282,063	3,079,218	3,026,802	2,991,654
Total	$11,933,803	$14,265,426	$15,888,269	$16,439,976
GF as % of Total	22.25%	17.92%	16.89%	16.58%
Alc. Tax as % of Total	27.50%	21.59%	19.05%	18.20%

Funding for state provided chemical dependency services at Galen differs significantly from funding for community services. Table 5 shows that general fund expenditures comprise approximately 58 percent of total expenditures at Galen, while earmarked alcohol tax expenditures are approximately 40 percent. Medicaid, private, and insurance reimbursements totaling less than $100,000 in fiscal 1990 (approximately 2 percent of the expenditures) indicate that most clients served at Galen are not qualified for medicaid and have neither personal resources nor insurance to pay for treatment.

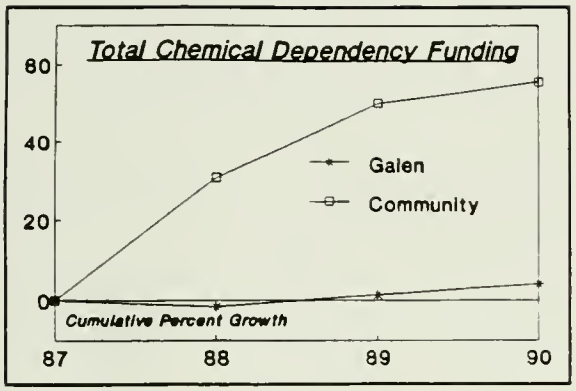
TABLE 5
Galen Funding Sources

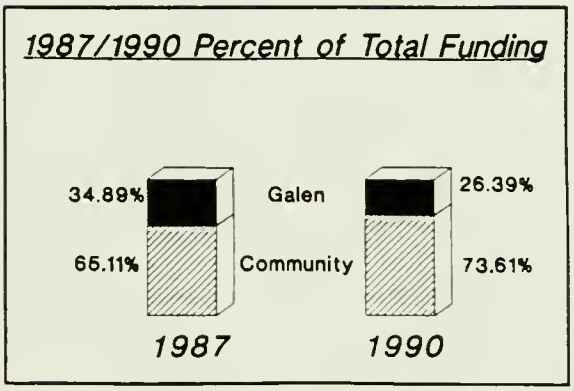
Fund Type	FY 1987	FY 1988	FY 1989	FY 1990
General Fund	$2,447,040	$2,340,873	$2,471,645	$2,510,808
Private & Insurance	43,559	81,654	85,240	74,074
Federal Medicaid	19,406	14,545	1,495	5,951
Other Federal Funds	100,014	4,856	23,564	13,301
Net Alcohol Tax	1,554,078	1,655,263	1,645,369	1,734,265
Totals	$4,164,097	$4,097,191	$4,227,313	$4,338,399
GF as % of Total	58.77%	57.13%	58.47%	57.87%
Alc. Tax as % of Total	37.32%	40.40%	38.92%	39.97%

Table 6 shows that the primary funding sources for community programs are private and insurance reimbursements, federal block grants, and the earmarked alcohol tax. Expenditures from alcohol tax earmarked funds (including prorated administrative expenditures) actually decreased from 22 percent of total expenditures in fiscal 1987 to 10 percent in fiscal 1990, while private and insurance reimbursements and federal grants nearly doubled. During the period, general fund expenditures decreased from nearly 3 percent of total expenditures to less than 2 percent.

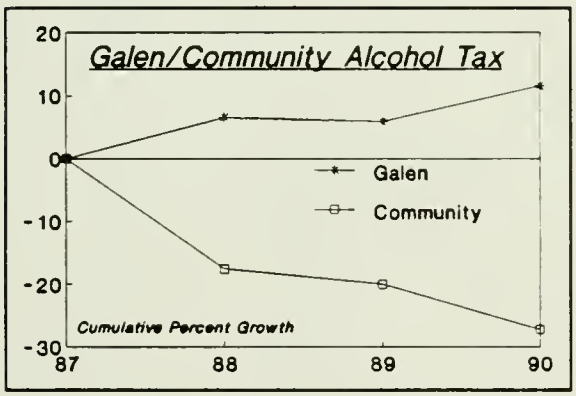
TABLE 6
Community Chemical Dependency Funding

Funding Type	FY 1987	FY 1988	FY 1989	FY 1990
General Fund	$208,612	$ 215,190	$ 212,592	$ 215,199
Private & Insurance	3,990,532	6,239,852	7,415,102	7,514,418
Other Federal Funds	1,842,577	2,289,238	2,651,829	3,114,571
Net Alcohol Tax	1,727,985	1,423,955	1,381,433	1,257,389
Totals	$7,769,706	$10,168,235	$11,660,956	$12,101,577
GF as % of Total	2.68%	2.12%	1.82%	1.78%
Alc. Tax as % of Total	22.24%	14.00%	11.85%	10.39%





The left graph above shows that total funding for Galen increased 4 percent from fiscal 1987 through fiscal 1990, while the total funding for community services increased by 56 percent, primarily due to increases in federal funds and private and insurance reimbursements. The right graph above shows that funding for community chemical dependency services increased from 65 percent of total expenditures in 1987 to 74 percent in 1990.



The adjacent graph shows that alcohol tax expenditures for Galen increased over 10 percent from fiscal 1987 through fiscal 1990, while the alcohol tax available for community chemical dependency treatment services decreased over 25 percent in the same period.

APPENDIX A

EARMARKED ALCOHOL TAX
Fiscal 1987 through Fiscal 1993

	Fiscal 1987	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991
Beginning Balance	$381,288	$400,549	$443,725	$506,212	$590,287
Revenues					
1. Beer Tax	$711,672	$696,980	$697,738	$704,417	$718,390
2. Wine Tax	512,089	484,690	449,118	433,916	419,667
3. Cost Recovery	172,128	107,445	110,912	93,326	100,887
4. Liquor License	2,286,183	2,177,071	2,220,355	2,218,058	2,359,051
Total Funds Available	$3,682,072	$3,466,186	$3,478,123	$3,449,717	$3,597,995
Disbursements					
1. Audit & Chem. Dep. Operations	$295,906	$310,886	$313,351	$324,694	$325,535
2. Galen Chem. Dependency	1,586,763	1,595,600	1,595,408	1,641,672	1,659,743
3. Dist. to Counties	1,572,653	1,280,180	1,233,016	1,122,592	1,079,388
4. State Prison	50,769	46,310	51,424	50,514	55,390
5. Swan River	27,280	25,875	27,059	27,941	28,410
6. Pine Hills	28,013	29,662	21,339	26,350	27,278
7. Justice - Drug Testing	120,573	143,835	143,232	192,694	197,599
Total Disbursements	$3,681,957	$3,432,348	$3,384,829	$3,386,457	$3,373,343
Adjustments	$19,146	$9,338	($30,807)	$20,815	$21,747
Ending Balance	$400,549	$443,725	$506,212	$590,287	$836,686

* Revenues Estimated/Disbursements Appropriated

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